

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 L-03 H-02 PA-02
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 XMB-04
OPIC-06 LAB-04 SIL-01 AGRE-00 /117 W
-----021814 151028Z /10

P R 150913Z FEB 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 5304
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - FEB 9-15

1. SUMMARY: KEY MINISTRIES SHOW SOME DIFFERENCES IN ASSESSMENT OF STATUS OF INVENTORY ADJUSTMENT CYCLE. PRIVATE AND PUBLIC NEW MACHINERY ORDERS REDBOUND IN DEC. BANKRUPTCIES DROP IN JAN. LABOR CONDITIONS SHOW SLIGHT IMPROVEMENT IN FOURTH QUARTER. WHOLESALE PRICES DOWN AGAIN IN JAN. JAN TRADE FIGURES SHOW BOTH IMPORTS AND EXPORTS UP, BUT EXPORTS STILL RISE MORE RAPIDLY. END SUMMARY.

2. ECONOMIC PLANNING AGENCY (EPA) IN ITS MONTHLY ECONOMIC REPORT RELEASED FEB 10 HIGHLIGHTED THE SSTRENGTHENING TREND
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OF COMMODITY PRICES IN JAPAN IN THE LAST THREE MONTHS SUGGESTING THIS IS AN INDICATION THAT BOTH THE INVENTORY ADJUSTMENT PROCESS IS PROCEEDING APACE AND THE PUBIC WORKS PROGRAMS ARE BEGINNING TO HAVE A STRONGER IMPACT ON ACTIVITY. PRICES OF CEMENT, STEEL BAR, AND STEEL PLATE HAVE ALL PERKED UP STRONGY SINCE DEC. EPA NOTES, HOWEVER,

THAT INVENTORIES OF CONSUMER DURABLES HAVE INCREASED SOME IN RECENT MONTHS BECAUSE OF SLOW SALES AND THUS IT IS TOO SOON TO SAY THE SLOW PROCESS OF INVENTORY ADJUSTMENT IS CLOSE TO COMPLETION. BANK OF JAPAN, IN ITS MONTHLY ASSESSMENT RELEASED THE SAME DAY, VIEWED THE SAME EVIDENCE AS PRESENTING A MIXED PICTURE AND SAID IT WAS PREMATURE TO SAY THE INVENTORY ADJUSTMENT WAS NEARING A CONCLUSION. IN THE DIET THIS WEEK MITI MINISTER KOMOTO SAID THE DECLINING INVENTORY/SHIPMENTS RATIO NOTED IN THE LAST COUPLE OF MONTHS WAS MORE A RESULT OF SCALED-BACK PRODUCTION THAN A SYMPTOM OF RESURGENT FINAL DEMAND.

3. NEW MACHINERY ORDERS, S.A., REBOUNDED SHARPLY IN DEC. ORDERS PLACED BY GOVT AND PUBLIC AGENCIES WERE UP A STRONG 84 PERCENT IN DEC AFTER DECLINES IN PRECEDING THREE MONTHS. PRIVATE NEW MACHINERY ORDERS ALSO REBOUNDED, UP 10 PERCENT, AFTER SMALL DECLINE IN NOV. PRIVATE DEMAND FOR NEW MACHINERY HAD WEAKENED DURING SECOND AND THIRD QUARTER OF LAST YEAR BUT RECOVERED MODERATELY DURING LAST QUARTER. PUBLIC NEW MACHINERY ORDERS, ON THE OTHER HAND, ACCELERATED RAPIDLY THROUGHOUT THE FIRST THREE QUARTERS BUT WEAKENED CONSIDERABLY IN THE FOURTH QUARTER. FOR 1977 AS A WHOLE, PRIVATE NEW MACHINERY ORDERS DETERIORATED AGAIN, DOWN 5 PERCENT, AFTER SOUND RECOVERY OF 14 PERCENT IN 1976. NEW MACHINERY ORDERS PLACED BY PUBLIC SECTOR, ON THE OTHER HAND, ROSE A SHARP 27 PERCENT IN 1977 AFTER DECLINE IN PRIOR YEAR.

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NEW MACHINERY ORDERS
(IN BIL YEN; PERCENT CHANGE FROM PRIOR PERIOD IN PAREN)

	PRIVATE ORDERS EXCL. SHIPS (JEI 337)	GOVT AND PUBOIC ORDERS (JEI 335)
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RECENT MONTHS (S.A.):

OCT	241.4 (24.4)	115.9 (-1.2)
NOV	231.9 (-3.9)	63.1 (-45.5)
DEC	255.4 (10.1)	116.1 (83.8)

RECENT QUARTERS (S.A., MONTHLY AVERAGE):

JAN-MAR	271.0 (1.4)	84.6 (2.0)
APR-JUNE	250.7 (-7.5)	99.9 (18.1)
JUL-SEP	228.3 (-8.9)	117.6 (17.7)
OCT-DEC	242.9 (6.4)	98.4 (-16.3)

RECENT YEARS (MONTHLY AVERAGE):

1976	256.9 (14.0)	76.9 (-7.1)
1977	243.4 (-5.1)	97.4 (26.7)

4. BANKRUPTCIES DECLINED SHARPLY IN JAN BOTH IN TERMS OF THE NUMBER OF CASES AND THE VALUE OF LIABILITIES INVOLVED. THE TWO PRIVATE RESEARCH ORGANIZATIONS WHICH

COLLECT STATISTICS PLACED BANKRUPTCY CASES IN JAN AT 1,141-1,142, N.S.A., DOWN MORE THAN 30 PERCENT FROM PRIOR MONTH'S LEVEL (THOUGH JAN DECLINE PRIMARILY REFLECTS SEASONAL DOWNSWING). EVEN ON YEAR-OVER-YEAR COMPARISON, THE NUMBER OF CASES IN JAN 1978 WAS MORE THAN 10 PERCENT BELOW THE YEAR-EARLIER LEVEL. THE LIABILITIES OF BUSINESS FIRMS DECLARING BANKRUPTCIES CAME TO \$730 MIL EQUIVALENT IN JAN 1978, DOWN ABOUT 38 PERCENT FROM DEC 1977 AND DOWN 13 PERCENT FROM YEAR EARLIER (YEN BASIS).

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P R 150913Z FEB 77
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5. LABOR CONDITIONS SHOWED A MIXED PICTURE IN DEC. THE NUMBER OF UNEMPLOYED, S.A., ROSE TO 1.18 MIL IN DEC, UP 50,000 PERSONS OVER NOV LEVEL. DEC UNEMPLOYMENT RATE, HOWEVER, REMAINED UNCHANGED FROM NOV AT 2.1 PERCENT. (NOTE: PRIME MINISTER'S OFFICE, USING DIFFERENT SEASONAL FACTORS THAN EPA, ALSO REPORTS THAT DEC UNEMPLOYMENT RATE WAS 2.1 PERCENT.) JOB OFFERS/APPLICANTS RATIO, HOWEVER, IMPROVED IN DEC TO 0.54 FROM 0.51 IN NOV AND OVERTIME WORKED IN MANUFACTURING INDUSTRIES ROSE 4PERCENT. OTHER DATA ON LABOR CONDITIONS IN DEC NOT YET AVAILABLE. FOR FULL YEAR 1977, THE NUMBER OF UNEMPLOYED AVERAGED 1.1 MIL, UP 1.9 PERCENT OVER 1976 WHILE UNEMPLOYMENT RATE REMAINED UNCHANGED AT 2.0 PERCENT. JOB OFFERS/APPLICANTS RATIO, ON THE OTHER HAND, DETERIORATED SHARPLY FROM 0.64 IN 1976 TO 0.56 IN

1977. OVERTIME WORKED IN THE MANUFACTURING INDUSTRIES
CONTINUED TO RISE IN 1977, THOUGH RATE OF INCREASE SLOWED
TO 6 PERCENT FROM LARGE 32 PERCENT INCREASE IN 1976.
IN GENERAL, LABOR CONDITIONS DETERIORATED IN THE SECOND
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AND THIRD QUARTERS OF LAST YEAR BUT SHOWED MODERATE
IMPROVEMENT IN THE FOURTH QUARTER EXCEPT FOR JOB OFFERS/
APPLICANTS RATIO, WHICH DETERIORATED RAPIDLY TOWARD YEAREND.

LABOR CONDITIONS		S.A. EXCEPT FOR ANNUAL DATA			
JEI NO	SERIES (UNIT)	OCT	NOV	DEC	1977 AVERAGE
385	JOB OFFERS/APPLICANTS RATIO	0.53	0.51	0.54	0.56
401	MFG. OVERTIME (1975 EQUALS				
	100)	135.3	137.3	142.5	140.0
378	UNEMPLOYED (THOUSANDS)	1,060	1,130	1,180	1,100
379	UNEMPLOYMENT RATE (PERCENT)	1.9(R)	2.1(R)	2.1	2.0

NOTE: ALL SERIES ARE SEASONALLY ADJUSTED BY EPA.

6. CUSTOMS BASIS TRADE DATA FOR JAN (S.A.) SHOWED THE
DOLLAR VALUE OF EXPORTS UP 5.7 PERCENT AND OF IMPORTS
UP 2.2 PERCENT OVER PREVIOUS MONTH. AFTER PRELIMINARY SEASONAL
ADJUSTMENT, EXPORT VOLUME SOWED A 7.6 PERCENT GAIN FOR THE
MONTH AND IMPORTS SHOWED A 7.0PERCENT RISE. (SEE TOKYO 2462)

7. WHOLESALE PRICES DIPPED 0.1 PERCENT IN JAN WITH ALL
COMMODITY INDEX NOW STANDING AT 105.6. (SEE TOKYO 2294)

8. FOLLOWIING TABLE SHOWS FACTORS CONTRIBUTING TO DEC GROWTH
IN M-2, N.S.A. (TOKYO 2130), WHICH HAS JUST BEEN RELEASED BY
BOJ. IN DEC, FOREIGN ASSETS,NET, RECORDED SMALLER CONTRIBU-
TION TO GROWTH IN M-2 THAN IN OCT AND NOV. ALL OTHER
FACTORS INCREASED THEIR CONTRIBUTION TO GROWTH IN
MONEY SUPPLY AT RELATIVELY EVEN MAGNITUDE IN DEC.

CHANGES IN M-2	OCT	NOV	DEC
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(MONTHLY PERCENT CHANGE AT ANNUAL RATE, I.E. TIMES 12)

M-2, S.A.	3.5	19.7	11.3
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M-2, N.S.A.	- 0.5	24.6	48.4
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(FACTORS CONTRIBUTING TO CHANGES IN M-2, N.S.A.)

CREDITS TO:

PRIVATE SECTOR	5.6	12.9	27.8
NATIONAL GOVT	0.5	4.2	8.3

LOCAL GOVTS	- 0.5	0.4	2.2
FOREIGN ASSETS, NET	3.4	4.9	2.6
OTHER	- 9.4	2.2	7.5
TOTAL ALL FACTORS	- 0.5	24.6	48.4
MANSFIELD			

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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC REPORTS, EXPORTS, TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 15 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO02533
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Expiration:
Film Number: D780069-0440
Format: TEL
From: EEC TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197802113/aaaafvib.tel
Line Count: 233
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Message ID: 525b9cce-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3461082
Secure: OPEN
Status: <DBA CORRECTED> gwr 970822
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS - FEB 9-15
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/525b9cce-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014